Recent International Monetary Fund Projections of India's GDP Growth

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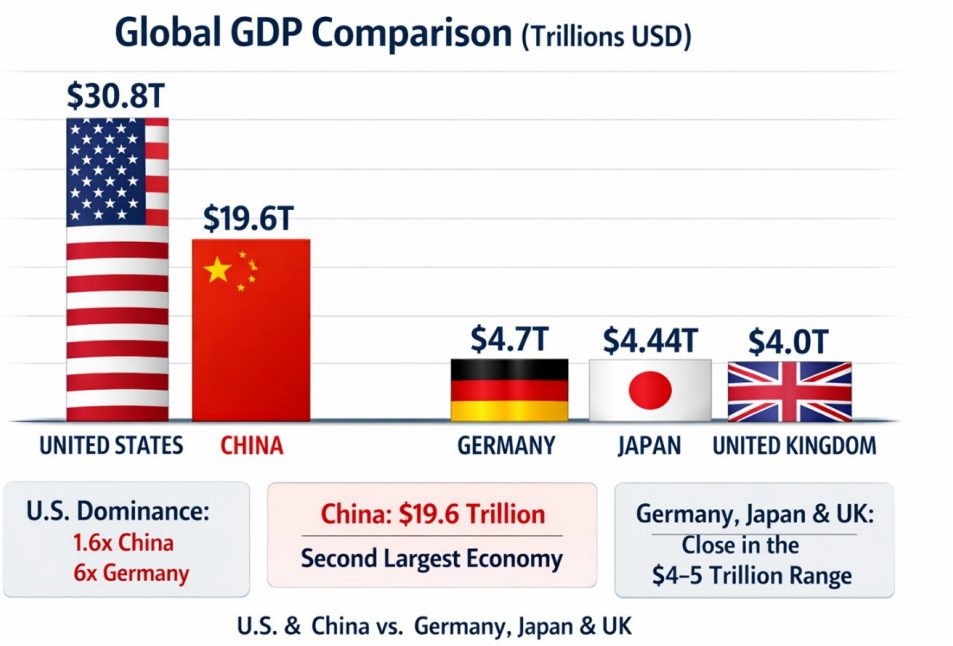
Why in News?

India slipped to become the world's 6th-largest economy in 2025, dropping one rank from the previous year, according to the latest World Economic Outlook (WEO) released by the IMF.

- The Indian economy is estimated at ***$3.92 trillion*** in 2025.
- IMF calculates its rankings in US dollar terms; it uses two data points
  1. A country's GDP in the local currency and
  2. The exchange rate with the dollar to arrive at a dollar figure.
- On both these counts, India has suffered significant setbacks in the last 12 months.
- **GDP Global Comparison**



- **Nominal growth -** The drop in ranking comes despite India logging around 9% nominal growth in rupee terms during the year.

- **Reasons for slowdown - Revision of base year -** India updated its GDP estimates with a new base in February-end.
- The new GDP estimates essentially showed that the previous GDP series was overestimating India's GDP.
- In rupee terms, India's GDP for 2025-26 was rolled back from Rs 357 trillion (or lakh crore) to Rs 345 trillion.
- **Impact of Dollar Strength -** A ***stronger dollar and downward revisions to GDP*** under the new series slowed India's rise in dollar-denominated GDP terms.
- Since global economic rankings are measured in dollars, currency depreciation has weighed heavily on India's position.
- IMF projections show the rupee weakening from around 84.6 per dollar in 2024 to 88.5 in 2025, with further depreciation expected over the medium term.
- **IMF Forecasts -** By 2027, India is forecast to overtake the UK and return to being the 4th-largest economy, with GDP rising to $4.58 trillion.
- India is then expected to surpass Japan in 2028, when its economy is projected at $5.06 trillion, compared with Japan, making India the world's 3rd-largest economy in nominal terms.
- However, under the revised IMF trajectory provided, India appears to move decisively into third position only by 2031, when GDP is projected at $6.79 trillion, well above Japan.
- **Fastest Growing Economy -** Despite the ranking shift, India remains the fastest-growing major economy and is expected to expand consistently above 6% over the medium term.

References

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